

SUPREME COURT OF TEXAS

Nafta Traders, Inc. v. Quinn

339 S.W.3d 84 (Tex. 2011) · No. No. 08-0613 · Decided May 13, 2011

SUMMARY

The Supreme Court of Texas held that the Texas General Arbitration Act permits parties to agree to limit an arbitrator's authority and thereby allow judicial review of an arbitration award for reversible error. It further held that the Federal Arbitration Act does not preempt enforcement of such an agreement because enforcing the parties' contract does not frustrate the FAA's principal purpose of enforcing arbitration agreements according to their terms. The court reversed the court of appeals' judgment and remanded for further proceedings.

CASE DETAILS

COURT	Supreme Court of Texas
WRITING FOR THE COURT	Justice Hecht; Chief Justice Jefferson; Justice Wainwright; Justice Medina; Justice Green; Justice Johnson; Justice Willett; Justice Guzman; Justice Lehrmann
JURISDICTION	Texas
DECIDED	May 13, 2011
DOCKET	No. 08-0613
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Nafta sought review of a court of appeals judgment affirming the trial court's confirmation of an arbitration award. The Supreme Court of Texas granted review.
STANDARD OF REVIEW	The court construed the Texas General Arbitration Act and considered federal preemption de novo.
PRECEDENTIAL VALUE	Published opinion of the Supreme Court of Texas; precedential.
PARTIES	Nafta Traders, Inc. v. Margaret A. Quinn

TOPICS

[arbitration](#)[contracts](#)[statutory interpretation](#)[appellate procedure](#)[employment discrimination](#)

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether the Texas General Arbitration Act permits parties to agree that an arbitrator lacks authority to commit reversible error of state or federal law, thereby allowing judicial review for such error.
2. Whether the Federal Arbitration Act preempts enforcement of a Texas-law agreement providing for expanded judicial review of an arbitration award.
3. What procedural prerequisites and scope govern judicial review of an arbitration award when the parties have agreed to review for reversible error.

HOLDINGS

1. The Texas General Arbitration Act does not prohibit an agreement that limits an arbitrator's authority to that of a judge and thereby permits judicial review of an arbitration award for reversible error.
2. The Federal Arbitration Act does not preempt enforcement of an agreement for expanded judicial review of an arbitration award that is enforceable under the Texas General Arbitration Act.
3. Agreed review for reversible error is not automatically full judicial review; the reviewing court must have a sufficient record, preserved complaints, and must apply the same review standard used in a judicial proceeding involving the same subject matter.

KEY QUOTATIONS

“Accordingly, we hold that the TAA presents no impediment to an agreement that limits the authority of an arbitrator in deciding a matter and thus allows for judicial review of an arbitration award for reversible error.” (at 97)

“For these reasons, we hold that the FAA does not preempt enforcement of an agreement for expanded judicial review of an arbitration award enforceable under the TAA.” (at 101)

“If error cannot be demonstrated, an award must be presumed correct.” (at 102)

FACTUAL BACKGROUND

Nafta terminated Margaret Quinn, its Vice President of Operations, citing a reduction in force caused by worsening business conditions. Quinn sued under the Texas Commission on Human Rights Act. An employee handbook required arbitration and provided that the arbitrator lacked authority to commit reversible state or federal legal error or apply an unauthorized cause of action or remedy. The arbitrator awarded Quinn damages, and the trial court confirmed the award without explaining whether it rejected Nafta's substantive challenges or found them legally unavailable.

PROCEDURAL HISTORY

Quinn sued Nafta for sex discrimination, and the parties proceeded to arbitration under an employee-handbook arbitration provision. The arbitrator awarded Quinn damages. The trial court confirmed the award, and the court of appeals affirmed, holding that the Texas General Arbitration Act did not permit the parties to expand judicial

review of the award. The Supreme Court of Texas reversed and remanded for consideration of Nafta's challenges on the merits.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The court of appeals must determine whether the arbitral record is sufficient for review and then consider the merits of Nafta's challenges to the arbitration award.

CASES CITED

- Hall St. Assocs., L.L.C. v. Mattel, Inc., 552 U.S. 576, 578-92 (2008)
- Volt Info. Scis., Inc. v. Bd. of Trs. of Leland Stanford Junior Univ., 489 U.S. 468, 477-79 (1989)
- City of Pasadena v. Smith, 292 S.W.3d 14, 20 (Tex. 2009)
- Stolt-Nielsen S.A. v. AnimalFeeds Int'l Corp., 559 U.S. 662, 130 S. Ct. 1758, 1767, 1773-74 (2010)
- Dean Witter Reynolds, Inc. v. Byrd, 470 U.S. 213, 219, 221 (1985)
- AT&T Mobility LLC v. Concepcion, AT&T Mobility LLC v. Concepcion, 563 U.S. 333, 131 S. Ct. 1740, 1748-49 (2011)
- Southland Corp. v. Keating, 465 U.S. 1, 10 (1984)
- In re D. Wilson Constr. Co., 196 S.W.3d 774, 780 (Tex. 2006)
- Cable Connection, Inc. v. DIRECTV, Inc., 44 Cal. 4th 1334, 190 P.3d 586, 595-606 (2008)
- Perry Homes v. Cull, 258 S.W.3d 580, 593 (Tex. 2008)
- In re L & L Kempwood Assocs., L.P., 9 S.W.3d 125, 127-28 (Tex. 1999) (per curiam)
- CVN Group, Inc. v. Delgado, 95 S.W.3d 234, 238 (Tex. 2002)
- In re Poly-America, L.P., 262 S.W.3d 337, 348 (Tex. 2008)
- Mastrobuono v. Shearson Lehman Hutton, Inc., 514 U.S. 52, 64 (1995)
- In re Gulf Exploration, LLC, 289 S.W.3d 836, 839 (Tex. 2009)